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RECORDATION NO. _____ FILED 1988

MAR 11 1988 - 10 20 AM
INTERSTATE COMMERCE COMMISSION

3/11/88
103.00
ICC Washington, D. C.

THE TRAVELERS INDEMNITY COMPANY

March 4, 1988

Mildred Lee
Secretary
Interstate Commerce Commission
Twelfth Street and Constitution Avenue, N.W.
Room 20303
Washington, D.C. 20423

Dear Ms. Lee:

Enclosed herewith are one (1) original and two (2) counterparts of the document described below, to be filed and recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated as of February 1, 1988.

The names and addresses of the parties to the enclosed document are as follows:

Debtors: International Capital Equipment Limited
1890 Palmer Avenue
Larchmont, New York 10538

and

International Capital Equipment, Inc.
1890 Palmer Avenue
Larchmont, New York 10538

Secured Party: The Travelers Indemnity Company
One Tower Square
Hartford, Connecticut 06183
Attn: Nancy J. Engberg, Esq.

A description of the equipment covered by the enclosed document is set forth on Annex A attached hereto.


A fee of thirteen dollars (\$13.00) is enclosed. Please return the original and any copies not needed by the Commission for recordation to Mr. Jeffery Kuperstock, Esq., Hebb & Gitlin, One State Street, Hartford, Connecticut 06103.

A short summary of the enclosed document to appear in the index follows:

Security Agreement among International Capital Equipment, Inc., 1890 Palmer Avenue, Larchmont, New York 10538, and International Capital Equipment, Inc., 1890 Palmer Avenue, Larchmont, New York 10538, as Debtors, and The Travelers Indemnity Company, One Tower Square, Hartford, Connecticut 06183, as Secured Party, dated as of February 1, 1988 and covering (i) twenty-six (26) 3000 HP model U30C diesel locomotives and (ii) the Lease Agreement dated as of January 16, 1988 between International Capital Equipment, Inc. and Burlington Northern Railroad Company.

Very truly yours,

THE TRAVELERS INDEMNITY COMPANY

A handwritten signature in black ink, appearing to read "Robert L. Logan, Jr.", written in a cursive style.

Robert L. Logan, Jr.

ANNEX A

<u>Type</u>	<u>Builders Specification</u>	<u>Quantity</u>	<u>Road Numbers</u>
3000 HP Model U3OC Diesel Locomotives	3390D	26	5335 5338-5352 5900-5901 5903-5905 5907-5911

Interstate Commerce Commission
Washington, D.C. 20423

3/14/88

OFFICE OF THE SECRETARY

Jeffery KuperStock

Hebb & Gitlin

One State Street

Hartford, Connecticut 06103

Dear
Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/11/88 at 10:50am, and assigned recodation number(s). 15533

Sincerely yours,

Nesta L. McGee

Secretary

Enclosure(s)

SECURITY AGREEMENT

MAR 11 1988 - 10 22 AM

INTERSTATE COMMERCE COMMISSION

This Security Agreement ("Agreement") is made as of this 1st day of February, 1988, by and among The Travelers Indemnity Company, a Connecticut corporation ("Travelers"), International Capital Equipment, Inc., an Illinois Corporation ("INC"), and International Capital Equipment Limited, a Bermuda corporation ("ICE"), with reference to the following facts:

A. On or about April 30, 1984, ICE entered into Equipment Purchase Agreement Number 1404292 (the "EPA") with Centerre Bank, N.A. (the "Bank"), pursuant to which INC, as the designee of ICE, agreed upon the occurrence of certain events and the satisfaction of certain conditions to purchase twenty-six (26) 3000 HP diesel locomotives model U30C (the "Locomotives").

B. Travelers has issued Equipment Purchase Agreement Insurance Policy Number T-GLM-189T581-O-83 (the "Policy") to ICE insuring the obligations of ICE (or INC as ICE's designee) under the EPA.

C. On January 15, 1988, Travelers advanced to INC, as designee of ICE, under the terms of the Policy the sum of \$1,690,000, which amount is the purchase price of the Locomotives under the terms of the EPA (the "Purchase Price"), and INC purchased the Locomotives under the terms of the EPA.

D. Pursuant to the terms of the Policy, ICE and INC, as the designee of ICE, granted to Travelers a security interest in the Locomotives as security in respect of the obligations of INC and ICE to reimburse Travelers with respect to the Purchase Price of the Locomotives.

E. On January 16, 1988, INC entered into a Lease Agreement pursuant to which INC, as lessor, has leased the Locomotives to Burlington Northern Railroad Company ("BNRR").

F. Travelers, INC and ICE desire to enter into this Agreement for the purpose of further evidencing, creating and perfecting Travelers security interest in the Locomotives and in the Lease.

Based on the foregoing, Travelers, ICE and INC agree as follows:

1. Grant of Security Interest. To secure the due and prompt payment, performance and observance in full of any and all indebtedness, obligations and/or liabilities of INC and ICE to Travelers, of every kind, nature and description, whether heretofore, now or hereafter incurred, pursuant to the Policy, this Agreement and any other agreements heretofore or hereafter made

between Travelers and INC and/or ICE as the same relate to the EPA or otherwise, together with all costs, expenses and attorney fees incurred by Travelers in enforcing its rights with respect to such indebtedness, obligations and liabilities (all of the foregoing being hereinafter referred to as the "Obligations"), INC and ICE hereby grant, pledge, and assign to Travelers a continuing general security interest in their respective interests in (a) each of the Locomotives (which are more particularly described on Exhibit A attached hereto and incorporated herein), (b) the Lease, including all tangible and intangible rights, rentals, receivables and interest arising from or associated therewith, and (c) with respect to ICE, any and all receivables, obligations and intangibles owing to ICE from INC in connection with the designation of INC as the recipient of Travelers advance of the Purchase Price (the "ICE Receivables") (all of the foregoing, together with the proceeds thereof including, without limitation, all insurance covering any of the foregoing, being hereinafter referred to as the "Collateral"), whether such Collateral is now owned or existing or hereafter acquired or arising and wheresoever located.

2. Representations and Warranties. ICE and INC, jointly and severally, represent and warrant to Travelers as follows, and promise that all such representations and warranties shall remain true and correct for so long as any Obligations shall remain outstanding:

(a) INC and ICE have the legal right and authority to own their respective Collateral and to grant, mortgage, pledge, assign, transfer and convey the Collateral to Travelers in the manner and form hereby done and intended.

(b) INC has full right, title, and interest in the Locomotives and the Lease and ICE has full right, title and interest in the ICE Receivable, free and clear of all other ownership interests, security interests, pledges, mortgages, encumbrances, liens or other interests, except for the interests of BNRR as lessee under the Lease.

(c) INC is duly incorporated and existing and in good standing under the laws of the State of Illinois and has its principal place of business at 1890 Palmer Avenue, Larchmont, New York 10538.

(d) INC and ICE each has all requisite power and authority, corporate and otherwise, to execute, deliver and perform this Agreement.

(e) The execution, delivery and performance of this Agreement and any other document or instrument delivered in connection herewith does not violate or constitute a breach of any term or provision of any material article, bylaw, agreement,

order, law or regulation to which INC or ICE is a party or which is otherwise applicable to INC or ICE.

3. Covenants.

(a) For so long as this Agreement is in effect, INC and ICE jointly and severally undertake and agree:

- (1) not to sell, mortgage, pledge, encumber, assign or otherwise dispose of the Collateral or any part thereof unless Travelers shall have given its prior written consent thereto.
- (2) to cause the Collateral to be kept, at its own cost and expense, in good repair and condition except as provided for in the Lease;
- (3) to pay or cause to be paid when due all taxes, liens and assessment upon the Collateral;
- (4) to maintain the Collateral free and clear of all claims, liens, pledges, security interests or financing statements other than those created by this Agreement;
- (5) to perform or cause to be performed all of the obligations of INC under the terms of the Lease;
- (6) to keep accurate records of the Collateral;
- (7) to defend title to the Collateral against all persons and against all claims and demands at its own cost and expense;
- (8) to defend this Agreement as creating a prior, paramount and superior security interest in the Collateral in favor of Travelers;
- (9) to promptly notify Travelers of any event which materially and adversely affects the value or the marketability of the Collateral or the rights of Travelers, INC or ICE to the Collateral;
- (10) to comply with, or cause the compliance with, all applicable laws, statutes, rules and regulations applicable to the ownership and/or operation of the Locomotives, including, without limitation, any and all federal railroad safety laws and regulations; and

- (11) to insure, or cause insurance to be procured with respect to, the Locomotives in an amount and on such terms as are acceptable to Travelers and Travelers shall be named as a loss payee and co-insured on any such insurance policies.

(b) INC or ICE also covenant and agree to take the following actions if requested to do so at any time by Travelers:

- (1) to deliver all proceeds of Collateral to Travelers in a form satisfactory to Travelers promptly upon their receipt, and in the absence of such delivery and until such delivery is accomplished, to hold all such proceeds in trust for Travelers segregated and identified as such; and
- (2) to perform any and all acts and execute any and all additional instruments and documents as may be reasonably requested by Travelers to give effect to the purposes of this Agreement including, without limitation, the execution and delivery of any financing statement or continuation of any financing statement.

4. Events of Default. Each of the following events constitute an "Event of Default" hereunder:

(a) Default in the payment when due of any Obligation;

(b) Breach by INC or ICE of any representation, warranty, covenant, obligation, provision, term or agreement herein contained or contained in any instrument or agreement evidencing any Obligation;

(c) Execution upon any assets of ICE or INC pursuant to a final judgment rendered against either;

(d) The filing of any lien, garnishment, execution or attachment proceeding against any of the Collateral;

(e) Any material adverse change in the condition (financial or otherwise) of ICE or INC or of any of the Collateral; and

(f) The insolvency of ICE or INC, or the inability of either ICE or INC to pay its debts as they become due, or the commencement by or against ICE or INC of bankruptcy proceedings, assignment for the benefit of creditors or similar insolvency proceedings under the laws of any jurisdiction.

5. Remedies Upon Default. Travelers, may at its option, without presentment, demand, protest, or notice to ICE or INC of any kind, all of which are hereby expressly waived, and notwithstanding any time or credit allowed under any Policy or any instruments or agreements from which the Obligations arise, exercise any of the following rights upon the occurrence of any Event of Default:

(a) Declare any Obligation secured hereby to be immediately due and payable;

(b) All rights and remedies accorded upon a default to a secured party under the Connecticut Uniform Commercial Code, as in effect from time to time, and under any other applicable law; and INC and ICE further agree that:

- (1) in the event that notice is necessary under applicable law, written notice mailed ten (10) days prior to the date of any public sale, private sale, or any other disposition of any of the Collateral shall constitute reasonable notice, but notice given in any other reasonable manner or time shall be sufficient;
- (2) without precluding any other methods of sale, the sale of Collateral shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of secured parties disposing of similar property; but in any event, Travelers may sell on such terms as it may choose, without assuming any credit risk and, except as required by applicable law, without any obligation to advertise or give notice of any kind;
- (3) Travelers may require INC and ICE to assemble the Collateral, and ICE and INC hereby agree to do so, taking all necessary or appropriate action to preserve and keep it in good condition, and make such Collateral available to Travelers at a place and time convenient to Travelers, all at the expense of INC and ICE except as provided for in the Lease.
- (4) to the fullest extent permitted by law, INC and ICE each waive any right to any judicial process, and any right to any prior hearing or proceeding of any character, judicial or otherwise, prior to Travelers taking or gaining possession (either with or without utilization of judicial process) of any or all of the Collateral or any part thereof. In the

event Travelers seeks to take possession of any or all of the Collateral by court process, INC and ICE hereby waive any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and further waive any demand for possession prior to the commencement of any suit or action to recover with respect thereto. To the fullest extent permitted by law, INC and ICE each waive any requirements of notice, action or the meeting of any other conditions precedent to Travelers taking or obtaining possession, and any other requirement prior to a sale or disposition by Travelers of any Collateral.

- (5) to the fullest extent permitted under applicable law, full power and authority is hereby given Travelers to sell, assign, and deliver the whole of the Collateral or any part thereof, at any time at public or private sale, at Travelers option. At any sale hereunder, Travelers may purchase the whole or any part of the property sold, free from any right of redemption on the part of ICE or INC, all such rights being hereby waived and released.
- (6) in the event of any sale or other disposition of any of the Collateral, after deducting all costs or expenses of every kind for taking, retaking care, safekeeping, preparation for sale, sale, delivery or otherwise (including satisfaction of its attorney's fees and legal expenses) of the Collateral, Travelers shall, after applying the residue of the proceeds of the sale or other disposition thereof as hereinabove authorized to the satisfaction in full of the Obligations and after making proper allowance for interest on Obligations not then due, return any overage to INC or ICE, whichever is appropriate.

5. Assignment. This agreement shall be binding upon the parties hereto and their respective successors and assigns, and shall inure to the benefit of the parties hereto and the successors and assigns of Travelers, provided that neither INC nor ICE may assign its rights and obligations hereunder without the prior written consent of Travelers.

6. No Waiver. ICE and INC each hereby agrees that:

(a) Any and all of Travelers' rights with respect to the security interest created hereunder shall continue unimpaired, notwithstanding the release or substitution of any Collateral at any time(s), or of any rights or interests therein, or any delay, extension of time, renewal, compromise or other indulgence granted by Travelers in reference to any of the Obligations.

(b) No delay on Travelers' part in exercising any collection, power of sale, option or other right hereunder, and no notice or demand which may be given to or made upon ICE or INC shall constitute a waiver thereof, or limit or impair Travelers' right to take any action or to exercise any other power of sale, option or any other right hereunder, without notice or demand, or prejudice Travelers' rights as against ICE or INC in any respect.

(c) All rights and remedies given to Travelers are cumulative and not exclusive of any rights or remedies otherwise available to Travelers or provided by law.

(d) Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any any other right or remedy.

7. Termination. ICE and INC each agree that this is a continuing agreement and shall remain in full force and effect until all Obligations are satisfied.

8. Interpretation and Governing Law. ICE and INC each agree that the following shall govern the interpretation and enforcement of this Agreement:

(a) The section headings used herein are included for convenience only and shall not be deemed to be a part of this Agreement;

(b) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute but one and the same instrument;

(c) This Agreement and all rights, obligations and liabilities arising hereunder shall be construed according to and governed by the internal laws of the State of Connecticut in all respects, including matters of construction, validity and performance;

(d) This Agreement contains the entire understanding among the parties hereto with respect to the transaction contemplated herein and none of the terms or provisions of this Agreement may be amended, waived or modified in any manner except

by a written agreement expressly referring hereto signed by all parties hereto;

(e) The rights granted to Travelers shall be supplementary and in addition to those granted in any other agreements with respect to the Obligations; and

(f) In case any provision in this Agreement or any Obligation shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of such contract and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

9. Expenses. In the event of any acts by Travelers to enforce this Agreement or to protect the security interests of Travelers in the Collateral, INC and ICE jointly and severally agree to pay the costs thereof, attorneys' fees and other expenses, and all such costs, fees and expenses shall be deemed Obligations secured pursuant to this Agreement; such attorneys' fees shall include but not be limited to those incurred in dealing with any bankruptcy or insolvency proceeding, whether or not litigation is actually commenced, to recover Collateral or obtain any other relief.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

THE TRAVELERS INDEMNITY COMPANY

By: 

Its: Second Vice President

Corporate Form of Acknowledgment

State of Connecticut
County of Hartford ss:

On this 26th day of February, 1988
before me personally appeared, Robert L. Logan, Jr.
(name of signor), to me personally known, who
being by me duly sworn, says that (s)he is the
Second Vice President (title of office) of
The Travelers Indemnity Co. (name of corporation), that
the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said
instrument was signed and sealed on behalf of said
corporation by authority of this Board of Directors,
and (s)he acknowledged that the execution of the
foregoing instrument was the free act and deed of

[SIGNATURES CONTINUED]

said corporation.

[Seal]

Gloria D. Decker

Signature of notary public

My Commission expires April 1, 1988

INTERNATIONAL CAPITAL EQUIPMENT,
INC.

By: Richard Kenyon

Its: VP - Treasurer

Corporate Form of Acknowledgment

State of New York
County of Westchester ss:

On this 17th day of February, 1988
before me personally appeared, Richard Kenyon
(name of signor), to me personally known, who
being by me duly sworn, says that (s)he is the
VP - Treasurer (title of office) of
International Capital Equipment, Inc. (name of corporation), that
the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said
instrument was signed and sealed on behalf of said
corporation by authority of this Board of Directors,
and (s)he acknowledged that the execution of the
foregoing instrument was the free act and deed of
said corporation.

[Seal]

Linda Vaccaro

Signature of notary public

My Commission expires _____

LINDA VACCARO
Notary Public, State of New York
No. 60-4783784
Qualified in Westchester County
Commission Expires June 30, 1989

INTERNATIONAL CAPITAL EQUIPMENT
LIMITED

[SIGNATURES CONTINUED]

By: Robert G. Clark
Its: Chairman

Corporate Form of Acknowledgment

State of New York
County of Westchester ss:

On this 17th day of February, 1988
before me personally appeared, Robert G. Clark
(name of signor), to me personally known, who
being by me duly sworn, says that (s)he is the
Chairman (title of office) of
International Capital Equipment Rental (name of corporation), that
the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said
instrument was signed and sealed on behalf of said
corporation by authority of this Board of Directors,
and (s)he acknowledged that the execution of the
foregoing instrument was the free act and deed of
said corporation.

[Seal]

[Signature]

Signature of notary public
My Commission expires _____

LINDA VACCARO
Notary Public, State of New York
No. 60-4783784
Qualified in Westchester County
Commission Expires June 30, 1989

EXHIBIT A
To Security Agreement
Between The Travelers Indemnity Company
and International Capital Equipment, Inc.
and International Capital Equipment Limited

Locomotives

<u>Type</u>	<u>Builders Specifications</u>	<u>Quantity</u>	<u>Road Numbers</u>
3000 HP Model U30C diesel locomotives	3390D	26	5335 5338-5352 5900-5901 5903-5905 5907-5911